

FISCAL NOTE

SB 4 - HB 6 SECOND EXTRAORDINARY SESSION

November 8, 1999

SUMMARY OF BILL: Imposes a flat \$5.00 sales tax on each prescription drug, including insulin, dispensed to uninsured or uninsurable TennCare enrollees with incomes above the Federal poverty level. Requires the Bureau of TennCare to design cards issued to recipients to designate enrollees subject to the tax.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$5,000 Recurring
\$79,000 One-Time**

Increase State Revenues - \$10,900,000

Assumes that:

- the Department of Revenue will incur one-time expenses for computer system changes and recurring costs for administration and collection of a new tax.
- 143, 500 TennCare enrollees (10.9% of total) will be subject to the tax and that they utilize 10.9% of an estimated twenty million prescriptions annually.
- TennCare MCOs will be responsible for the cost of producing new cards for enrollees subject to the tax.

The tax imposed by this bill may be subject to approval by the Health Care Finance Administration because the tax is targeted at a segment of TennCare enrollees. HCFA could require that the revenues produced by the tax offset TennCare expenditures with a resulting mutual benefit to the state and Federal government equal to each one's share of program expenses.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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